SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Technical Report:

Action plan of priority actions for integrating regional supply chains to increase competitive trade in the Textile, Garment and Handicraft Sectors

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I. Introduction

The Southern African Global Competitiveness Hub, created by a Presidential Initiative, is a project supported by USAID. Its purpose is to increase trade in the southern African region. The Hub promotes a cluster competitiveness approach by assisting producers and exporters to increase their productivity and by working to eliminate constraints on production and trade.

Improving regional competitiveness and eliminating regional constraints is particularly important for some sectors. Addressing constraints that affect more than one country requires a multi-country and a multi-firm-level approach. An outstanding example of this is the success the Hub has had in harmonizing customs procedures and road regulations in the Dar and Trans-Kalahari (TKC) corridors. Both corridors cross several national boundaries; it is only through co-ordinated multi-lateral action that the Hub was able to make these corridors more efficient.

Improving the competitiveness of the region's garment supply chain requires regional action. This supply chain is unique in that it involves a series of production steps and value-added processing, each requiring very different resource investments in capital, skills and capacity building (Figure 1). In addition, different markets have very different competitive requirements for price, response time, product quality, the variety of products, and order delivery size. As a result, no one country in the region is able to create supply chains that are competitive at every production stage for every market.

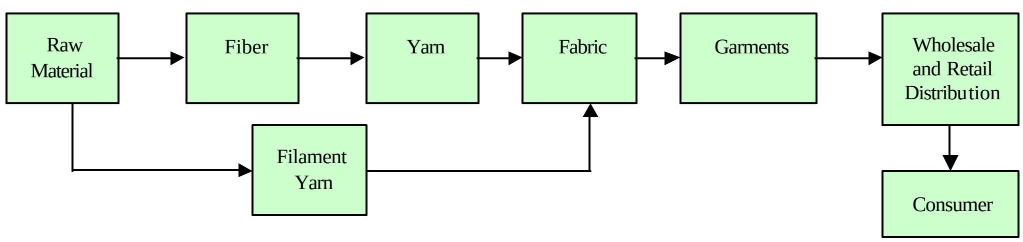

Figure 1: *The Garment Delivery Supply Chain*

Recognizing the importance of regional action to improve competitiveness of the region's garment supply chains, the Hub undertook a strategic assessment in August 2003. The purpose of this assessment was to identify the principal constraints to increased trade. The assessment drew upon previous analyses and a review of the current situation. This action plan is based on the results of that assessment.

Purpose

The purpose of this regional action plan is to explain to regional stakeholders how the Southern African Global Competitiveness Hub will support the textile and garment[1] sectors in the region. Stakeholders include USAID bilateral Missions and U.S. Embassies, other donors, government leaders, private sector associations, business

[1] "Textile" refers to the manufacture of yarn and fabric. "Garment" refers to the manufacture of apparel such as pants, shirts, coats, etc.

development service providers and textile and garment firms. Recognizing that building competitiveness in the region will require continued action by stakeholders, Hub actions described below have been chosen to achieve specific results over the remaining time left in the Hub contract; the actions have also been chosen to reflect strategic areas of attention that will catalyse continued action by stakeholders.

Finally, by communicating this action plan to regional stakeholders, we hope to foster development of a communication network for those who have a stake in the textile/garment industry in southern Africa so that greater cooperation can be achieved in addressing competitiveness.

Methodology

The action plan summarizes a number of analyses of how existing trade patterns need to be altered in order for the regional industry to take full advantage of the trade opportunities afforded by AGOA and Lomè/Cotonou. These analyses identify the constraints inhibiting those changes in trade patterns, and the rationale for how the Hub proposes to work with stakeholders to overcome some of those constraints by addressing specific actions over the next nine months.

In addition to reviewing a number of previous analyses, the Hub carried out field studies in June, July and August 2003 in some of the principal textile and garment-producing countries of the SADC region. These field studies consisted of interviews with concerned public sector trade ministries and private sector organisations; such as chambers of commerce, textile and garment manufacturers associations and private sector operators in the textile and garment industry. Relevant reports, previous studies and other documents are referenced in Annex 2. The SADC Textile and Garment Study, published in 2001 provides a baseline for the state of the region's garment and textile industries at the moment of AGOA's passage.

II. Key Constraints to the Regional Garment Delivery Chain

Industrial garment and textile operations exist in all countries in the SADC region except Angola. No recent studies have documented the state of these industries in the Democratic Republic of the Congo (DRC). As the DRC was outside the scope of the assessment, it will not be discussed in this action plan. Zimbabwe is an important producer of cotton and cotton based textile products, however, because it is not currently AGOA eligible, it was also outside the scope of the assessment, and therefore, will not be discussed in this action plan.

Markets

The Southern African regional textile/garment industry has three principal markets for its products:

- Domestic and Regional

- The USA
- The European Community

The domestic and regional markets have traditionally consumed most of the region's garment and textile production. Mauritius and Lesotho, and to a lesser extent Swaziland, have been important exceptions to this as they have developed export-oriented industries that produce far more than the small local populations can consume. Restrictive duties and unrealistic rules of origin under the SADC trade protocol prevent non-SACU countries from exporting garments to South Africa, which is the largest regional market.

Until recently, only four countries, South Africa, Lesotho, Swaziland, and Mauritius exported any significant quantity of garments outside the region. Mauritius was by far the largest exporter. Most of Mauritius's garment exports were to Europe, until AGOA's passage. Since then export volumes to the U.S. have increased. The U.S. market is now Mauritius's second largest garment export destination after France. Mauritius was practically alone among the African countries as party to the Lomè Convention in taking advantage of the duty-free privileges for garment exports. Zambia is one of the few countries exporting textile products to Europe, mostly yarn from a single manufacturer.[2]

AGOA's passage and its implementation in October 2000 suddenly opened a huge potential market for Africa's garment and textile industries. Three major factors, however, have worked against African countries taking advantage of these markets:

- A lengthy period of time for some countries to get visa systems approved for AGOA's garment provisions.
- The lack of textile production capacity in the region, necessary for countries like Mauritius and South Africa to meet AGOA's rules of origin.[3]
- Confusing customs interpretations that led to one of the more important regional products, knit-to-shape sweaters, being excluded from AGOA's apparel provisions until it was corrected by AGOA II's passage in mid-2002.

Textile and Garment Production Capacity

The most recent, comprehensive study of the region's textile and garment production capacity was The SADC Textile and Garment Study completed in October 2001. This study showed there was an annual shortfall of almost 307 million square metres in woven fabric production for garments alone. Total knit fabric consumption was 477 million square metres, consuming about 70,000 tons of yarn. Most of this knit fabric was produced in the region, but a substantial portion of the yarn to produce this fabric

[2] Another plant in Zambia that was exporting fabric is now closed.
[3] Botswanan and Namibian manufacturers were also required to use regional fabric to meet AGOA's rules of origin until they were granted LDC (Least Developed Country) status under AGOA II, passed in mid-2002. All countries will need to use fabric and yarn manufactured in an AGOA eligible African country after September 2004 for their garment exports to qualify for duty-free entry to the US, unless AGOA III extends the ability of LDCs to use fabric from outside Africa.

was imported. Mauritius, for example, consumed about 40,000 tons of cotton yarn, all of it imported, and most from outside the region.

At the same time the region was a major exporter of cotton. Cotton production in 1999 was about 300,000 tons and regional consumption was about 155,000 tons. This implies net exports of about 145,000 tons. Using an average figure of 181 grams per square metre for apparel fabric consumed in the region, this means the region is producing cotton capable of producing an additional 800 million square metres of fabric. The quota limit for 2004 for duty-free exports to the US of garments made from African origin fabric and yarn is 957 million square metre equivalents. The implication is that if SADC could convert all this cotton into suitable yarn and fabric, there would be little shortage of fabric for AGOA exports.

Since AGOA's implementation several countries have substantially increased garment production and exports. Lesotho has, for example, increased exports to the U.S. from $89 million in 1999 to $376 million in the year ending October 2003. We do not have available a current data on fabric production in the region. [4] Trade statistics, however, show that most of the increase in garment production for export to the US was done using fabric imported from outside the region. [5] From this we can infer there has been only a modest increase in textile production capacity.

AGOA rules of origin require most garments to be imported to the USA under AGOA to be made from fabric produced in countries eligible for AGOA's apparel provisions, which in turn is made from yarn produced in similarly eligible countries. [6] This is the so-called 'yarn-forward rule'.

The AGOA rules of origin for garments differ substantially from the rule of origin for imports into the EU under the Lomé agreement. Garment imports into the EU are subject to a 'fabric-forward' rule of origin. This requires garments to be made from fabric that is made in an eligible ACP (African Caribbean Pacific) country[7]. The yarn and fiber may be made anywhere in the world.

The consequence of AGOA's yarn-forward rule of origin is that African manufacturers need to create complete supply chains from yarn to garments in order to produce garments that can be exported to the US duty-free.[8]

Beside South Africa, most of the countries in the region are small, with small domestic markets, modest size work forces, and extremely varied infrastructure quality. As a result, it is difficult for them to develop complete garment delivery supply chains on their own. Furthermore, the variety of textile and garment products is huge. In the case of textile manufacturing, in particular, investments in one type of fabric are limited in the range of fabric that can be produced. It is thus difficult for

[4] This lack of current data on textile production capacity is addressed in Task 2.1.
[5] In FY 2003, 84% of the garments shipped under AGOA were made from fabric and yarn produced outside the region.
[6] Least Developed Countries, meaning all AGOA eligible countries but Mauritius and South Africa, are exempt from this rule until September 2004. Extension of this rule beyond that is subject to legislation now being discussed as part of AGOA III.
[7] This now includes all countries in sub-Saharan Africa, including South Africa.
[8] Although cotton from outside Africa may be used, using regional cotton will further enhance the supply chains competitiveness.

smaller countries, or indeed any country in the region to produce the full variety of yarn and fabric that will be needed for fully integrated supply chains in all possible export markets.

There is also the problem that many African countries have traditionally seen the textile and garment sectors as primarily an import substitution industry, and not one that has export potential. The result is that most of the textile and garment capacity developed since the second world war, and particularly after independence, was for domestic markets and supported by protective tariffs and other non-tariff barriers. In the 90's trade liberalization began to reduce some of these import barriers, which made it difficult for domestic producers to compete with cheap imports, mostly from the Far East. Governments did little to encourage exports in textile products, and they did not adopt policy measures, such as those Mauritius implemented, that would encourage both foreign and domestic investment.

This lack of interest in developing export-oriented garment and textile industries has two important consequences:

- Many governments have been caught short and were not ready with policies and support infrastructure to encourage investment in these industries.[9]
- The existing textile manufacturing facilities are not world-class, are under-utilised, and have not had much upgrading or investment in the last decade.

Competitiveness Factors

Many discussions about competitiveness in global garment markets focus on only one aspect, which is price competitiveness. In fact, garment supply chains compete on at least four competitive dimensions:

- Price factors
- Quality factors
- Response factors
- Product factors

Price factors include the total cost to the customer - not just the price paid to the factory. This includes, among others, shipping cost, quota costs, duties, and logistics costs at the destination.

Quality factors do not refer to only conformance to standards, which is assumed to be 100% in most markets today, but rather to a perception of the relative quality of one apparel item compared to another. Quality perceptions result from a combination of design, workmanship, packaging, promotion and branding, and material.

Response factors are essentially the delay between order and receipt.[10] The other important issue in response competitiveness is reliable delivery. Shorter and more reliable response time means lower inventories at all production and distribution

[9] The best evidence for this is the long delays most countries had in getting visa systems approved that would make them eligible for AGOA's apparel provisions. In most cases, private sector encouragement, rather than political initiative, was responsible for the visa system approval.
[10] The response concept is extended to cover product conception through sale to the retail customer in the most sophisticated supply chains.

stages. Lower inventories mean lower costs, and, more importantly in many markets, lower merchandising risk. Merchandising risk results from the fact that the longer goods are held in inventory, the higher the risk they will not be sold, or will be sold at a discount.

Product factors have several aspects and include:

- Product uniqueness
- Order size
- Flexibility
- Product ranges
- Product design capability

It is impossible for a supplier to be the best in all dimensions and aspects of competition. There are important trade offs, for example, in product flexibility and cost. As a result, it is difficult to be a very flexible and low price supplier. On the other hand, there is always strong competition to offer the best service, quality, and product at the lowest possible price.

Another key element of competition in the apparel market that is often overlooked is the fact that although buyers usually purchase garments from the garment manufacturer they are, in fact, receiving them from a supply chain. The decision to purchase will depend on the competitiveness of the whole supply chain, not just that of the garment manufacture. All links in the chain must be competitive. Careful coordination among the firms at each production stage is therefore essential for a supply chain to be competitive.

AGOA has given apparel supply chains in sub-Saharan Africa a potential price advantage over other regions. In order to compete, however, they have to ensure they are competitive on other dimensions. This is particularly important for the region to maintain their competitiveness after the expiration of the multi-fibre agreement in December 2004. The first step in doing so is to understand the competitive needs of the markets they are serving or intending to serve.

Not all customers will require the same type of pricing and service. For example, a tourist shop in a game park will require a completely different type of service than a mass merchant in the United States. In addition, different product lines will require different response rates and product flexibility. For example, producing high-end ladies garments will require a lot of flexibility and rapid response, whereas producing basic underwear will require almost no product flexibility but very strong demands for low prices. Understanding what the market is looking for, coupled with an understanding of what the supply chain can provide is the first step in developing competitive strategies.

This requirement to develop varied competitive strategies means that supply chains need to be developed for a wide-range of manufacturing strategies. Some of the alternatives are:

- Vertically integrated versus independent entities at each production stage; a third alternative is tightly knit strategic alliances among independent entities.

- Supply chains with all production in the same location, versus geographically disperse manufacturers.
- Horizontal clustering of manufacturers producing items similar in some way to take advantage of economies of scale in manufacturing, supply, marketing, or even finance and credit.

Another important issue is developing competitive garment supply chains in each manufacturing stage, which have different requirements. Apparel manufacturing, for example, requires a lot of labour, and relatively little capital, while fabric manufacturing requires little labour but a lot of capital (Table 1).

Table 1: Characteristics of textile and garment production stages

	Energy Usage	Water Usage	Labour intensity	Capital Intensity	Lead time for new production
Natural fibre preparation	low	little or none	low	low	moderate
Man-made fibre production	moderate to high	moderate to high	low	high	long
Yarn texturising	moderate	Low	low	moderate	moderate
Yarn spinning	moderate	little or none	low	moderate	moderate
Yarn dyeing	very high	very high	low	high	moderate
Fabric formation:					
-Woven	high	Moderate	low	high	long
-Circular and automated flat knit	moderate	Low	low	moderate	moderate
-Hand flat knitting	low	Low	high	low	low
Fabric finishing	very high	very high	low	high	long
Garment production	low	Low	high	low	short
Garment washing	moderate	High	low	moderate	short

Source: (Coughlin, Rubin, Darga 2001:23 and 49)

For a particular production stage to be price competitive it will most likely be located where the factors it requires most are the least costly. A fabric finishing facility, for example, would be best located where water and energy are cheap, and where capital-intensive investments are attractive.

Another consideration is that there are important differences in the time needed to bring new production capacity on stream. For example, a garment factory can often be operational in six months, whereas a new textile plant takes a year or more to begin operations. As a result, textile capacity can be brought on stream more quickly if existing facilities are upgraded rather than new facilities started from scratch.

The countries in the region vary enormously in their competitiveness on these factors (Table 2).

Table 2: *Comparison of competitive factors among SADC countries*

	Electric supply		Water supply		Labour costs	Investment attractive-ness	Unused production capacity
	Cost	Reliability	Cost	Availability			
Botswana	Moderate	1.5	high	low	high	**90.7%**	Garments-40%
Lesotho	Moderate	1.7	moderate	medium	moderate	**76.2%**	Garments-32%
Malawi	Moderate	1.4	n.a.	n.a.	low	**63.5%**	Textiles-41% Garments-37%
Mozambique	High [11]	1.7	n.a.	n.a.	low	**84.0%**	Textiles-68% Garments-33%
Mauritius	Moderate	2.9	moderate	medium	high	**52.5%**	Textiles-7% Garments-17%
Namibia	Moderate	3.0	high	variable	very high	**91.9%**	Garments-59%
South Africa	Low	2.7	n.a.	good	very high	**58.2%**	Textiles-23% Garments-36%
Swaziland	Moderate	2.1	moderate	good	high	**78.7%**	Textiles-58% Garments-27%
Tanzania	High	0.0	n.a.	n.a.	moderate	**34.2%**	Textile-32% Garments-16%
Zambia	Low	0.6	n.a.	good	moderate	**72.8%**	Textiles- 14% Garments-77%
Zimbabwe	Moderate	1.5	n.a.	good	moderate	**40.6%**	Textiles- 13% Garments-44%

Source: Coughlin, Rubin, Darga 2001:55
Notes: n.a means data is not available.
Investment attractiveness is a weighted scale that evaluates a variety of factors such as interest rates, ease of obtaining work permits, the existence of export incentive programs. One hundred percent is the most attractive.

The actual story is, of course, more complicated. For example, in the case of apparel manufacturing, labour cost may not be the only consideration. For very high quality, complex garments, the requirements will be for highly skilled operators backed up with sophisticated garment and industrial engineering. Whereas, large orders of similar garments will require large numbers of workers who can be tightly supervised and use more sophisticated production equipment.

What emerges from these considerations is that for serving a variety of markets different supply chains will develop with production facilities in various locations throughout the region. The important conclusion is that no one country in the region has the ability to create competitive production facilities for every production and processing stage for every possible market. This is illustrated in Table 3, where competitive factors for each country (Table 2), as well as other evidence from the field studies are compared against the competitive requirements for each production stage (Table 1).

[11] Reports indicate that Mozambique has substantially reduced electric costs since 2001. This will be confirmed in the field work for Task 2.2.6

Table 3: *Countries and their potential for competitiveness by production stage*

Production Stage	Countries that are potentially competitive	Comments
Spinning	Botswana, Lesotho, Mozambique, Mauritius, Namibia, South Africa, Swaziland Malawi, Zambia Zimbabwe, Tanzania	 Must improve electric supply reliability Must improve electric supply and investment climate
Knitting	Botswana, Lesotho Malawi Mauritius, Namibia, South Africa, Swaziland Zambia, Zimbabwe	Hand and automated Hand; automated knitting if it can improve its electric supply Automated Hand and automated (see comments under spinning)
Weaving	Botswana, Namibia Lesotho, Mauritius, South Africa Zambia, Malawi, Zimbabwe	Low water usage weaving (see comments under spinning)
Fabric dyeing and finishing and yarn dyeing	Lesotho, Mauritius, South Africa Zimbabwe, Zambia, Malawi	 (see comments under spinning)
Garment production-basics	Lesotho, Mozambique Malawi, Zambia, Zimbabwe Tanzania	 (see comments under spinning) Must improve the reliability of the supply of electricity
Garment production-fashion and high productivity	Botswana, Mauritius, Swaziland Namibia South Africa	 Also a logistics centre High-end fashion garments; needs to relax restrictions on piece rates to be competitive in high productivity garments
Product design, development and merchandising and marketing	Mauritius South Africa	

Source: Coughlin, Rubin, Darga 2001:57

This conclusion brings up four important underlying requirements for developing competitive regional supply chains:

- Transportation and technical barriers to trade, particularly between countries, must be as efficient and cost effective as possible.
- Government policies in the region must develop and support the development of industries with very differing needs. This will need to include implications of the loss of quotas at the end of 2004 and the new AGOA III legislation.
- Many manufacturing and support services for the textile and garment industry will be on a regional rather than a national basis.
- All stakeholders must adopt the *regional is local* strategy. Increased production and trade in one country has the potential to support production and distribution activities in other countries.

III. Hub Actions to Improve Vertical integration and Competitiveness in the Garment Supply Chain

Recognizing the importance of regional action, the Hub will undertake a set of tasks designed to support regional development in the textile and apparel sectors. These tasks will address the constraints identified that require action at the regional level. The tasks represent what the Hub can contribute given its resources over the next nine months. The tasks are designed to catalyse and leverage additional actions by governments in the region, the private sector and other donors who can and will need to continue addressing key constraints in the future. The Hub believes greater synergism and coordination can be achieved with other organizations by communicating this action plan to appropriate entities.

By adapting a strategy based on these considerations, governments and the private sector can encourage their industries to develop their competitive advantages in the most effective manner. Furthermore, stakeholders will understand that encouraging an industry to develop in another country will help industries in their own country, as this will encourage the development of fully competitive supply chains.

Based on the analyses and as a basis to identify and focus on priority actions within the Hub ability to address, we have summarized the constraints as follows:

- Lack of proper skills linked to developing competitive industries
- International price competition
- International quality competition
- High cost of international marketing
- High costs associated with regional transportation
- High costs associated with tariffs, non-tariff and technical barriers to trade
- Production process inefficiencies
- Lack of adequate textile production capacity

(Key policy issues need to be addressed but are not within our purview to implement. These include implications of the MFA quota change and implications of AGOA III).

Table 4 shows the tasks programmed to address these constraints. These tasks are designed to improve textile production capacity, investment promotion, and regional integration of the industry in terms of developing more competitive regional supply chains, which will lead to increased trade in garments and textiles.

Table 4: *Hub Tasks and the specific constraints they address*

Constraint	**Tasks Addressing the Constraint**
Lack of properly Trained Staff	2.2.1 Develop a prototype Marketing and Production Data-base 2.2.3 Enhance SME Outsourcing
International Price Competition	2.2.1 Develop a prototype Marketing and Production Data-base 2.2.3Enhance SME Outsourcing
International Quality Competition	2.2.1 Develop a prototype Marketing and Production Data-base 2.2.3 Enhance SME Outsourcing
High Cost of International Marketing	2.2.1 Develop a prototype Marketing and Production Database 2.2.5 Conduct Marketing Seminars for Grouping Nine Exporters
High Inland Transportation Costs and High Cost of Airfreight	2.2.9 Improve Transportation Services-Airfreight 2.2.10 Improve Transportation Services-Walvis Bay

Constraint	Tasks Addressing the Constraint
High Costs Associated With Tariff, Non-tariff and Technical Barriers	2.2.11 Develop a strategy for removing barriers to MMTZ textile trade with SACU countries
Production Process Inefficiencies	2.7 Enhance SME Outsourcing
Lack of Adequate Textile Production Capacity	2.2.1 Develop a prototype Marketing and Production Database 2.2.4 Identify Strategic Investment Opportunities in the Textile Industry 2.2.6 National level assessment- Mozambique 2.2.7 National level assessment- Malawi

Task 2.2.1 Develop a Prototype Marketing and Production Database

This task addresses several very important constraints on increasing regional trade in the textile and garment cluster:

- Lack of adequate textile capacity
- International Quality competition
- High cost of international marketing
- Production process inefficiencies
- Lack of trained staff

In the fieldwork conducted in 2003 for the Hub's Strategic Assessment, a key finding was that a continuing problem exists regarding the lack of marketing information available to manufacturers. In particular, one of the more pressing problems is finding regional sources of yarn and fabric that would both qualify for duty-free status under AGOA, particularly after September 2004, when the LDC derogation is set to expire, and would meet the buyer's standards.

As discussed above, one of the main impediments to increased textile production capacity is the lack of investment. Africa is perceived by many foreign investors as risky at best. Anything that can be done to reduce that perceived risk will, therefore encourage investment. Textile manufacturing is both capital intensive, and requires a year or more for production operations to start. Investors have to be assured that their investments are safe and that there will likely be a market for the products once production has started. Furthermore, textile production capacity is always limited in the scope of products it can produce. The investor has to make a choice about the specific type of products to produce when making the initial plans to build a production facility.

Ample opportunities are available to increase production in existing facilities, and revitalise mothballed plants with more modest targeted investments. In these cases, investors would look for facilities that have the potential to produce yarn and fabrics in demand in the region with limited and staged improvement programs.

Another important opportunity is to encourage investors to move idle U.S. textile equipment to Africa. Many textile factories have gone into receivership and bankruptcy in recent years. There are undoubtedly receivers who would like to convert the equipment to cash, and would have trouble finding buyers in the US. This capacity is desperately needed in Africa. This equipment has the distinct advantage that because it was purchased and commissioned to serve the US market, it is very likely to be exactly the kind of equipment a manufacturer would need to make fabric for garments to be exported to the U.S.

Investors lack information about what fabrics apparel manufacturers are using, what fabrics and yarns are being made in the region, and most importantly, what yarn and fabrics are in demand, but not being produced. This is one compelling reason for developing a comprehensive database on the current supply and demand for textile products in order to encourage the development of the region's textile production capacity.

More directly, regional apparel manufacturers need to purchase regionally made fabric, and regional textile manufacturers want to sell their production. Poor communication and lack of marketing skills and experience selling to world-class garment manufacturers all inhibit the flow of information about the textile market. A marketing database would help overcome this barrier to increased trade.

Another issue this database will address is the development of the regional cotton market. A number of programs are underway to increase cotton production in the region. These programs are aimed at increasing the supply of cotton. Cotton producers and ginners also need to understand the type of cotton regional yarn spinners require. One of the functions of this database will be to convert demand for fabric and yarns into demand for specific types of fibre, including specific grades of cotton. This will assist cotton programs to develop the varieties regional markets require, and growers to plant what is in greatest demand.

Finally, in conjunction with task 2.2.3, enhancing production efficiency and improving work force skills requires increased training and productivity service, the marketing and production database will provide training and service providers critical information on their markets.

For this database to work, the minimum requirements are:

- The database has to be updated frequently. Stale information is useless.
- The database has to be as comprehensive as possible covering all manufacturers.
- The information in the database has to be in enough detail to enable professionals in the industry to make useful decisions.

At the same time the Hub feels it necessary to limit the project's scope. Otherwise it will be difficult to establish and maintain the database. Therefore:

- The database will be limited to the demand and supply of fabric, yarn and fibre
- The database will initially be focused on the SADC region with links to the East and Central African region. Once it is functioning it could be rolled out to include other parts of Africa.

The objective is a database that would eventually be taken over by a commercial operator or by a regional association on a fee-based business model. Keeping the information current will require a sustained effort. This can best be done if the database can create a revenue stream that will enable the operator to support this activity.

Realizing, however, that this is at least a partially new concept, it requires a kick-start to the process. As a result, the Hub will:

- Develop a prototype of the database
- Demonstrate it to potential users and modify the design based on feedback
- Prepare a detailed business plan for a potential operator

The Hub will work closely with two existing projects in developing this database. The first is a consulting firm based in South Africa, MPCS, who has developed a detailed census of all textile and garment manufacturers in the region. MPCS is working with the Hub to develop the conceptual design and prototype of the database.

The second is a web-based project sponsored by RATES (a USAID funded regional project in the East African Region) who have a common interest in the database. The Hub has already contacted those involved in this project and they are willing to work with the Hub. Because of this cooperation with the RATES market website project, the Hub's textile database will also include East Africa as part of its initial prototype.

The action steps for implementing this project are:

Step	Target Completion
Obtain agreement for partnering with MPCS	Completed
Finalise agreement for cooperation with RATES project	Completed
Develop database content and conceptual design	2 Q 2004[12]
Develop prototype design	3 Q 2004
Implement prototype and obtain feedback from potential users	3 Q 2004
Develop business plan for potential owners of the system	4 Q 2004

Result to be achieved:

- A functioning prototype, marketing database that allows buyers and sellers within the Southern African regional supply chain to increase information sharing and transact business more effectively.

[12] "2 Q 2004" refers to the second quarter of the US Government Fiscal year: January to March 2004. "3Q 2004" is the third quarter: April to June 2004. "4Q 2004" is the fourth quarter: July to September 2004.

- Increased information about investment opportunities in the region's textile sector thus increasing the region's textile production capacity.
- Increased information for regional outsourcing and service providers on potential customers.
- Increase in regional supply of textiles increasing the region's capacity to export garments under AGOA.

Task 2.2.3 Enhancing SME outsourcing services for productivity enhancement in the Garment Sector

In the survey of industrialists conducted for the SADC Textile and Garment Study, the one supply constraint that was found to be very important in all 11 countries was the inadequate supply of properly trained staff the industry. In the fieldwork for that survey the researchers noted in nearly all the garment factories owned by Far-eastern firms nearly all employees above the level of machine operator were Asian expatriates. That this pattern continues was confirmed by the fieldwork conducted in 2003, and by the report of the ComMark trust on productivity in the Lesotho Garment Industry conducted in November 2003.

This situation is troubling for two reasons. The first is that expatriate employees are very costly as they have to be transported, housed, fed, and usually paid a premium to work overseas. As a result, firms relying heavily on expatriates will have trouble meeting cost competition.

The second reason is that most host governments would like to see their nationals participate as much as possible in the industrial government sector. Most governments recognise the skills to run a world-class garment factory are not available locally, but feel it is important that their citizens be trained, that the technology is transferred, and that the bulk of skilled work and management be eventually done by locals. In the fieldwork conducted in 2003, all ministries interviewed also expressed the desire that their citizens also begin to participate in the garment industry as managers and owners as well as employees.

The first thing needed to remedy this situation is training. Although many garment manufacturers do provide some training for their staff, most of this training is limited to on-the-job training. There are few programs in place for skill upgrading and promotion through training. There are two key issues: (i) lack of appropriate training institutions, (ii) training programs that are available are not well adjusted to the company's needs.

Another problem with training provided by the Far-Eastern companies is the language and cultural barriers. Many of their skilled technicians have only limited English skills and limited experience training Africans. It would be far more efficient if local business development service providers in the region did the training.

Finally, because lack of training is a universal problem throughout the region, it is a problem that calls for a regionally integrated solution. Although it may be possible for each country in the region to provide some sort of training, it is more efficient if this were coordinated regionally. It may not be necessary, for example, for each country to have institutions providing highly specialised training. A few strategically located institutions may be the best way to provide such training. To identify what training is required and where the institutions need to be located, the region requires a regional training strategy based on an analysis of the training needs, and an inventory of current training institutions.

Training is an ideal opportunity for SMEs involved in BDS. It requires less investment in equipment than manufacturing. Furthermore, local and regional SMEs will be much better at training local staff than expatriates. Training organisations both public and private providing specialised training at all levels for the garment and textile industry exist in the region, primarily in South Africa and Mauritius. An ideal way to develop local SME participation is to have existing training institutions create joint ventures with local entrepreneurs in areas with developing garment manufacturing such as Lesotho, Swaziland, Namibia, and the decentralised regions of South Africa.

A second remedy to the high cost of expatriate service personnel is to develop outsourcing opportunities for local SMEs. This has a number of advantages over simply training employees to replace expatriate technicians:

- The large garment manufacturer is relieved of the task of training, supervising and maintaining a highly skilled specialised work force.
- Local entrepreneurs can participate in the growth of the local garment industry without having to compete with foreign firms in sewing garments, which the foreign firms know very well.
- The technology transfer will be permanent as the local entrepreneurs will own the new technology.

The Hub, together with the ComMark Trust, a DFID funded organisation based in South Africa, has developed a specific project to provide training and develop SME outsourcing opportunities. The project has two distinct phases: (i) a pilot project in Lesotho managed by ComMark with the Hub assisting, and (ii) a rollout opportunity for Namibia, Swaziland, and one of the decentralised areas of South Africa. Based on methodology developed with ComMark in Lesotho, the Hub will rollout a similar productivity program in Swaziland.

The methodology has several distinct steps:

1. Perform an assessment of the current productivity and training needs for a range of firms. The ComMark Trust has completed this in Lesotho and the Hub has evaluated the activity.
2. Based on the Lesotho experience and its model, create a detailed training and productivity improvement program for industrial garment operations in the region. (The assumption for the rollout will be that the situation is similar in the targeted regions, as the firms are similar in size and type of garments manufactured, and are all Far eastern owned.)
3. Make a detailed list of the specific type of training and specific services needed to support this program.

4. Meet with Lesotho garment manufacturers to sell them on the concept of outsourcing training and other specialised services. [ComMark will offer subsidies for the garment firms in Lesotho to participate.]
5. Identify potential regional training and service providers who can work in Lesotho including those who are interested in forming joint ventures with Basotho entrepreneurs.
6. Identify potential Basotho entrepreneurs who have the ability to develop the required service, either on their own or with regional joint-venture partners.
7. Identify the skills the Basotho entrepreneurs will need to develop and create specific programs to provide them.
8. ComMark will host a stakeholder conference in March 2004 in Maseru to promote the concept of training, outsourcing services, and joint ventures. The participants will be service providers from throughout the region, garment and textile manufacturers, primarily from Lesotho, but from anywhere in the region.
   The purpose of this conference is to make the manufacturers aware of the services available and their value, and to make service providers aware of the opportunities in the garment industry in Lesotho.
9. The Hub and ComMark will evaluate the results of the conference, and determine if any changes are required in the strategy.
10. ComMark will facilitate garment manufacturers to begin using the training and other services. The ComMark textile specialist in Lesotho will serve as a *virtual training institute* to match garment manufacturers' needs with service providers who can provide the service. The specialist will also facilitate matching regional service providers with Basotho partners for joint ventures.

The Hub will rollout a similar process for Swaziland. The main differences are:

- No productivity assessment or analysis to determine needs is needed, as the results from Lesotho will be used as a model for the other regions.
- No major stakeholder conference will be held . A more modest one-day workshop to build awareness of the process will be held. ComMark will assist at the same level of effort that the Hub provided in Lesotho.

11. The Hub will meet with the major garment manufacturers and government officials in Swaziland to sell them on the concept of training and outsourcing services, and make them aware of the program in Lesotho.
12. Identify potential regional training and service providers who can work in Swaziland including those who are interested in forming joint ventures with Swazi entrepreneurs.
13. Identify potential Swazi entrepreneurs who have the ability to develop the required service, either on their own or with regional joint-venture partners.
14. Identify the skills the Swazi entrepreneurs will need to develop and create specific programs to provide them.
15. The Hub will host a one-day workshop with manufacturers, regional service providers and potential Swazi joint-venture partners.
16. The Hub will evaluate the results of the conference and determine if any changes are required to the project.

17. The Hub will facilitate garment manufacturers in Swaziland to begin using the training and other services. The ComMark textile specialist in Lesotho will expand the scope of the *virtual training institute* to cover the activities in Swaziland.
18. As part of the evaluation of the roll-out, the Hub will determine:
    - If any changes are required in the process or level of effort to roll the project out to Namibia, and the decentralised areas of South Africa.
    - If an additional person will be required for providing the virtual training institute function in the two new regions.

Step	**Target Completion**
Create Detailed Training Program and lists of services	2 Q 2004
Meet with Stakeholders in Lesotho and Swaziland	2 Q 2004
Obtain agreements for stakeholder participation	3 Q 2004
Productivity Forum held in Lesotho	3 Q 2004
Productivity Workshop in Swaziland	3Q 2004
Regional service providers begin joint ventures with SMEs in Lesotho and Swaziland	4Q 4004
Garment manufacturers begin training and service outsourcing	4Q 2004
Develop roll out plans for Namibia and Decentralised areas of South Africa	4Q 2004

Results to be achieved:

- A two-day productivity forum will be held in Lesotho to bring together SMEs, regional service providers and garment manufacturers.
- A one-day workshop will be held in Swaziland to introduce the outsourcing and productivity enhancement program to Swaziland stakeholders.
- Trade activity will increase as local SMEs and regional service providers perform training and productivity services for foreign-owned industrial garment manufacturers in Lesotho and Swaziland.
- Entrepreneurs in Swaziland and Lesotho will increase participation in the export garment manufacturing industry.
- Production costs for garment manufacturers in Lesotho and Swaziland will be reduced, increasing trade activities by preserving existing markets and opening new ones.
- USAID Missions in Namibia and South Africa, as well as stakeholders and NGOs in those countries will have a plan and a model for implementing the program.

Task 2.2.4 Identify Strategic Investment Opportunities in the Textile Industry

The lack of textile production capacity is one of the most important constraints on increasing exports from sub-Saharan Africa to the US under AGOA. Two problems exist in overcoming this constraint:

- The long lead time in commissioning textile production
- The lack of information about existing capacity and demand for textile products.

The Hub task 2.1, the development of the prototype marketing and production database, partly addresses the second problem. The best way to overcome the long lead-time in commissioning new production is to find under-utilised and mothballed production facilities and invest in their upgrading. This will save time as many plants can begin to operate and produce product of acceptable quality after only the most critical processes are upgraded. The owners will develop a schedule for the rest of the upgrades desired.

Although there have been some efforts to promote investment in such facilities, these efforts have missed two important points:

- The facilities must be carefully evaluated as to the full scope of their potential, rather than simply their existing production.
- This potential must be promoted as part of a supply chain rather than simply as an isolated investment.

As a result, the Hub will identify at least six existing factories in the region it feels have the potential to be upgraded and prepare detailed investment profiles for each. These profiles will include:

- An inventory of the equipment, by make, model, age. This will include an assessment of the equipments' state and the range of products they can produce.
- An assessment of the facilities and the infrastructure serving the facilities
- An evaluation of whatever staff is currently at the plant
- A description of one or more potential upgrade programs with detailed description of the schedule, cost and potential output.
- A description of how the plant can fit in to existing or potential regional supply chains.
- A description of the financing required to purchase, upgrade and re-commission the plant.

The steps in this task are:

1. The Hub will identify pending FDI projects in the textile sector. The Hub will rely on information from US Embassies and bi-lateral AID missions.
2. The Hub will identify at least six factories in the region with future export potential that require upgrading or re-commissioning.

3. The Hub will gather detailed information about the factories, and if necessary visit those factories not already seen by Hub staff. The Hub trade/textile specialist will use the opportunity to investigate potential factories in conjunction with the national level assessments conducted in Malawi and Mozambique.
4. The Hub will prepare the investment profiles for the six factories.
5. The Hub will disseminate these profiles to potential investors, investment promoters, and finance institutions.

Step	Target Completion
Identify Current and pending FDI projects	3Q 2004
Gather detailed information about six selected factories	4Q 2004
Prepare investment profiles for these factories	4Q 2004

Results to be achieved:

- Detailed investment brochures prepared for at least six under-used or closed textile factories in the SADC region.
- Increased Foreign Direct Investment in the region's textile manufacturing.
- Increased production of textile products for regional consumption and exports.
- Increased garment exports under AGOA.
- Revitalisation of closed and under-used textile manufacturing facilities.

Task 2.2.5 Conduct Marketing Seminars for the Grouping Nine Exporters

The Hub has successfully implemented the procedures for having the so-called 'group nine' products approved for duty-free export to the United States under AGOA. Unfortunately only a tiny amount of these products have actually been exported.[13] The Hub believes that these exporters need a great deal of help in three areas:

- Access to markets and buyers
- Understanding how to promote and produce their products for the US market
- Understanding exactly how this provision of AGOA works, and how they as manufacturers will take advantage of it.

Rather than provide individual firm level counselling at this point, the Hub feels the most effective way to provide this help is to conduct a series of one-day seminars in six countries in the region. These seminars will include comprehensive marketing information services, provide US buyer contacts, and explain in detail:

- How to get products approved for duty-free export under AGOA.

[13] According to the OTEXA website, only $20,000 worth in September 2003 from South Africa have been exported in the year ending October 2003. (Data published 10 December 2003, showing results through October 2003.)

- The documentation and other procedures required ensuring their shipments will be cleared quickly by US customs.
- The record-keeping and other procedures they need to follow to meet AGOA compliance requirements.

In addition, to providing this information, the Hub will invite local government officials to explain:

- How to work with the government to get group nine products presented to the US Trade Representative for approval.
- What specific customs and other documentation procedures are required to ensure their shipments will be cleared quickly.
- What programs, incentives, and support the manufacturers can get locally through the government or third parties.

The steps in this task are:

1. The Hub will provide technical information on production, and quality control for inclusion in the seminar.
2. The Hub will contact US buyers and marketing agents for input to the seminar.
3. The Hub will identify what business services the manufacturers may need and include this information in the seminar.
4. The Hub will identify potential manufacturers who will be invited to participate. The Hub team will rely heavily on information from US Embassies and USAID bilateral missions.
5. The Hub will develop publicity for the seminar.
6. The Hub will evaluate the results of the seminars and follow up on activities and trade that result from the seminars.

Step	**Target Completion**
Seminars organised and conducted in six SADC countries	2Q 2004
Seminar evaluations prepared	3 Q 2004

Results to be achieved:

- At least six marketing seminars held in SADC countries.
- SME handicraft manufacturers will have the knowledge to begin exporting to the United States under AGOA.
- SME handicraft manufacturers will have made contacts with US buyers and marketing agents.
- Trade will increase as handicraft manufacturers increase exports under AGOA.
- NGOs and bi-lateral USAID missions will have precise information for assisting SME handicraft manufacturers to take advantage of trade opportunities under AGOA.

Task 2.2.6 National Level Assessment for Mozambique on Investments in Garments versus Textiles

The USAID Mission in Mozambique has specifically requested the Hub to assist it in advising the government and private sector whether Mozambique should concentrate its investments in textile manufacturing or garment manufacturing. Such strategic decisions will depend not only on careful assessments of Mozambique's existing infrastructure and competitive advantages but also the opportunities to develop supply chain linkages with operations in other countries in the region. As a result, this is an important effort from the point of view of developing regional as well as national integration of garment delivery supply chains.

The steps in this project are:

1. Review existing reports and other relevant documents on Mozambique.
2. Prepare questionnaires for interviews with public and private sector people in Mozambique.
3. Perform field research in Mozambique to gather data on the current situation, opportunities, infrastructure, factor costs, government policy and any other issues that would affect textile and garment invest and operations.
4. Analyse the results of the field and desk research.
5. Prepare a draft report and submit it to USAID Mozambique and others for comment.
6. Revise the report based on the feedback.

An important concurrent output from this task will be the identification and gathering of detailed information on factories in Mozambique that may offer strategic investment opportunities, which will be developed into investment profiles in Task 2.2.4 Identify Strategic Investment Opportunities in the Textile Industry

Step	Target Completion
Review Documents and perform field research	2Q 2004
Draft report and obtain feedback	2Q 2004
Present final report	2Q 2004

Results to be achieved:

- Local, regional and foreign investors will focus investment activities in Mozambique on the sectors with the best potential.
- Investment in the textile and garment sector in Mozambique will increase.
- Trade will increase as capacity increases.
- Regional trade in garments and textiles will increase as Mozambique manufacturers form competitive supply chains with manufacturers in other countries in the region.
- The USAID Mission in Mozambique will be able to target assistance to develop this cluster.

Task 2.2.7 National Level Assessment on Integrating the Textile and Garment Industries in Malawi

The USAID Mission in Malawi has specifically requested the Hub to assist it in advising the government and private sector on how Malawi can best integrate its cotton, textile and garment sectors. This project will evaluate the full potential for both existing facilities as well as the potential to create new ones at various stages of production in the garment supply chain. The goal is to develop a rational plan of action based on Malawi's competitive advantages, and the way it can best integrate into competitive regional supply chains. As a result, this is an important effort from the point of view of developing regional as well as national integration of garment delivery supply chains. The assessment will be conducted in collaboration with RATES.

The steps in this project are:

1. Review existing reports and other relevant documents on Malawi.
2. Prepare questionnaires for interviews with public and private sector people in Malawi.
3. Perform field research in Malawi to gather data on the current situation, opportunities, infrastructure, factor costs, government policy and any other issues that would affect textile and garment invest and operations.
4. Analyse the results of the field and desk research.
5. Prepare a draft report and submit it to USAID Malawi and others for comment.
6. Revise the report based on the feedback.

An important concurrent output from this task will be the identification and gathering of detailed information on factories in Malawi that may offer strategic investment opportunities, which will be developed into investment profiles in Task 2.2.4 Identify Strategic Investment Opportunities in the Textile Industry

Step	Target Completion
Perform Document review and field research	2 Q 2004
Prepare Draft Report	2 Q 2004
Present Final Report	3 Q 2004

Results to be achieved:

- Local, regional and foreign investors will focus investment activities in Malawi on the sectors with the best potential.
- Investment in the textile and garment sector in Malawi will increase.
- Trade will increase as capacity increases.
- Regional trade in garments and textiles will increase as Malawi manufacturers form competitive supply chains with manufacturers in other countries in the region.
- The USAID Mission in Malawi will be able to target assistance to this cluster.

Task 2.2.8 Develop a Business Plan for a Regional Textile and Garment Association

The Hub and others have demonstrated the need for regional coordination to ensure the success of the textile and garment industry. A key recommendation of the SADC

Textile and Garment Study was the formation of a regional textile and garment association. The fieldwork conducted for the Hub's strategic assessment in 2003 confirmed that all stakeholders in these industries feel this is vital for the industries' growth and improved competitiveness. Although an effort was made to form such an association under SADC's auspices this has not resulted in an association's creation.

The Hub believes an active, regional, private sector association is essential to sustain the activities needed at a regional level such as the regional virtual training institute, and the textile and production marketing database, to provide a forum for presenting views to governments, including the US, on legislation and policies affecting these industries. The Hub therefore feels it is worthwhile to make another effort at forming such an organisation.

ACT (the Africa Coalition for Trade) is an organisation based in Washington that promotes business linkages between the US and Africa, and lobbies on behalf of its members with the US government. Among ACT members are SADC textile and garment manufacturers.

ACT has agreed to work with the Hub to help form a subsidiary organisation under ACT's auspices that would serve as a regional textile and garment association. The ultimate goal would be for this to be an Africa wide textile and garment association, and ACT agrees that starting with the Southern Africa Region is a good way to pilot this project.

The Hub will support this associations development in three ways: (i) organise a steering committee, in conjunction with ACT, to create the organisation, and (ii) prepare a business plan and agenda for the first committee meeting that will be held at the First Africa Textile and Garment Exposition in Standton, South Africa in March 2004, and (iii) facilitate the steering committee to attend the conference.

The steps for this task are:

1. Identify a shortlist of steering committee members with ACT's advice. [Complete].
2. Finalize agreement of individuals to serve on the steering committee.
3. The Hub will draft a proposed organisation plan, and draft agenda for the first steering committee meeting.
4. ACT will review the drafts and provide feedback.
5. The Hub will prepare the final versions of the organisation plan and agenda and send them to the steering committee members.
6. The Hub will request initial feedback from the steering committee, and discuss with ACT.
7. The Hub and ACT will assist with the first steering committee meeting at the Standton conference.
8. The Hub will prepare a report based on the Standton meeting and submit it to the permanent executive committee elected at the Standton meeting for action.
9. The Hub and ACT will follow up with the executive committee to see the action plan is carried out. The Hub and ACT will review the draft by-laws and business plan the committee prepares.

Step	Target Completion
Organise steering committee	2 Q 2004
Prepare Draft Business plan for the association	2 Q 2004
Steering committee meeting held and organisation launched	2 Q 2004

Results to be achieved:

- The region's cluster stakeholders will have a business plan for developing a private sector association.
- An effective regional garment and textile association will be created.
- Regional trade in garments and textiles will increase as a result of better communication among suppliers in the supply chain.
- Export trade will increase as regional manufacturers develop more competitive supply chains.

Task 2.2.9 Improve Transportation Services for the Textile and Garment Sectors - Airfreight

In the fieldwork conducted for the Strategic Assessment in 2003, the researchers in both the garment and horticulture clusters identified the high cost of airfreight as a barrier to increasing trade in these sectors. Air shipment is essential for such rapidly perishable products as flowers and many fresh fruits and vegetables.

In the garment sector three important needs for airfreight exist: (i) when production is late, garment manufacturers resort to airfreight to meet promised delivery schedules, (ii) certain markets, particularly high value-added products require very short term replenishment cycles that can only be met by air-shipment, and (iii) the volume of a group nine handicraft products shipments a customer is often so small to make sea-freight economical or even feasible. In addition, the group nine products are often sold to niche marketers who can carry very little inventory and need a rapid response to orders to be competitive.

There is no doubt the cost of air-shipment out of the SADC region is prohibitively high compared to other regions. Part of this is due to the distance to major markets in Europe and the United States, and part is due to the relative low volumes. Unfortunately this is a chicken and egg problem, where the volumes are low because the prices are high, but the air-carriers will not put large dedicated transport planes into service if they do not have the freight volume.

As with the Walvis Bay development (see below), the Hub will facilitate the development of better airfreight service. The first step will be to demonstrate the location, volume and nature of potential air cargo of garments, handicrafts, and horticultural products from selected locations. Second, the Hub will develop a suggested action plan and disseminate this information to stakeholders for discussion and action.

This task will use the information on the garment and horticulture production gathered in Task 2.2.10 Improve Transportation Services for the Textile and Garment Sectors-Walvis Bay

The steps for this project are:

1. Identify the key selected sources, location and volume of potential airfreight.
2. Develop estimates for the potential volume and type of airfreight cargo from the selected sources and locations.
3. Identify the key stakeholders to whom the recommended action plan will be presented.
4. Develop a suggested action plan for improved and lower cost airfreight service and present this along with the findings on potential airfreight volume to a stakeholders meeting.
5. Based on the results of the meeting, the Hub will prepare a final action plan and obtain commitments from the stakeholders for action.

Step	Target Completion
Develop Volume estimates for air-freight services	2 Q 2004
Develop Action Plan	4 Q 2004
Review action plan with stakeholders	4 Q 2004
Obtain stakeholders' agreement for action	4 Q 2004

Results to be achieved:

- The region's stakeholders in the textile, garment and handicraft cluster, and the transportation sector will have an action plan for creating low-cost airfreight services from southern Africa.
- Lower cost airfreight will increase trade opportunities for garment and handicraft exporters.

Task 2.2.10 Improve Transportation Services for the Textile and Garment Sectors- Walvis Bay

The Hub has succeeded to harmonise customs clearances and road regulations along the Trans-Kalahari Corridor. This opens up Walvis Bay as potential port for export of garments to the US and Europe. This facility is vital for the development of competitive regional garment supply chains, as it offers cheaper and faster shipping than the shipments through Durban and Cape Town. Studies and experience on the corridor show that shipping through Walvis Bay is around 10 days faster to the US East Coast or Europe than through Durban. Durban is also subject to frequent unpredictable delays due to congestion and labour actions.

As discussed in the section on competitiveness, the speed and reliability of response is an important element in a garment supply chain's competitiveness. The supply chain cannot be faster or more reliable than the shipping channel used to deliver the garments to the customer.

The only real barriers to Walvis Bay fulfilling its potential to improve the region's garment supply chains: the lack of direct and frequent sailings to the US and European ports and the Container Security Initiative. More volume of goods into Walvis Bay would make it attractive to develop frequent and direct sailings.

This presents a chicken and egg situation since commercial shipping lines are reluctant to offer sailings that end up leaving empty, and shippers are reluctant to use a port that offers few sailings to the desired destinations. The Hub in the Strategic Assessment noted that at the moment, there is no active promotion for the use of Walvis Bay outside the Gauteng and Namibia. On the other hand, garment manufacturers in Botswana, Lesotho and Swaziland all complain about delays at Durban. The development of this vital transportation link would be well served by helping to build awareness of Walvis Bay's competitive potential for the garment industry.

A more recent development resulted from the Hub team's recent visit to Namibia. There it was noted that although Ramatex has promised to provide nearly one hundred containers a month of traffic through Walvis Bay, the carrier TransNamib has been unable to provide the necessary land transport support from Windhoek to Walvis Bay. If TransNamib cannot support the existing traffic level, it will not be able to support increases either. Any plan to promote and increase the use of Walvis Bay must address this issue.

The Hub will support the increase of traffic through Walvis Bay in two ways. First, the Hub will gather information on the scope of garment manufacturing and export activity in Botswana, Lesotho, Swaziland and South Africa that could potentially be routed through Walvis Bay. Second, the Hub will, in conjunction with key stakeholders develop an action plan for promotion of the corridor and for eliminating physical bottlenecks.

The steps for this task are:

1. Identify and estimate the volume of existing and new export traffic that can be routed or re-routed through Walvis Bay.
2. Determine the road and rail carriage capacity on the TKC through to Walvis Bay, and any other problems users of this corridor and the port have encountered.
3. Identify the stakeholders to whom the recommended actions will be presented.
4. Prepare and present recommended actions to a corridor stakeholder's meeting that will include public and private sector and investment promotion authorities.
5. Prepare a final action plan and obtain commitments for action from those stakeholders.

Step	**Target Completion**
Identify sources and determine estimates for potential freight through the Walvis Bay Corridor	3 Q 2004
Report on the road and rail capacity and other constraints to moving the identified	3 Q 2004

Step	Target Completion
potential traffic on the TKC corridor	
Prepare action plan for presentation to the stakeholders	4Q 2004
Obtain stakeholders' agreement for action	4 Q 2004

Results to be achieved:

- The stakeholders in the Walvis Bay corridor will have an action plan for increasing cargo through Walvis Bay.
- Lower cost and more rapid shipments to Europe and the US will make regional garment and textile supply chains more competitive thus increasing trade opportunities.

Task 2.2.11 Develop a strategy for Removing Non-tariff barriers to Textile and Garment Trade from the MMTZ countries to SACU

Under the SADC trade protocol, Malawi, Mozambique, Tanzania, and Zambia (the MMTZ countries) are exempted from the double transformation rule in the SADC Rules of Origin for textiles. This concession is designed to give the MMTZ countries advantage over the other supply countries in SADC like Mauritius and Zimbabwe whose textile industries are more sophisticated than theirs. To take full advantage of this concession, which is under review by SADC, the MMTZ countries should, on their part, remove tariff and non-tariff constraints to the importation of raw materials for producing textile products for export.

During the Quarter ending 31 March 2004, the Hub will assist the MMTZ countries to identify such constraints and to develop by the end of June 2004 a strategy for removing them.

Step	Target Completion
Identify tariff and non-tariff constraints to the importation of raw materials for producing textiles for export	2 Q 2004
Develop strategy for removing barriers to MMTZ textile and garment trade	3 Q 2004

Results to be achieved:

- Barriers and non-tariff barriers to production of textile products in the MMTZ countries identified and a strategy for removing the identified barriers recommended to the countries;
- Increased regional trade opportunities for textile and garment manufacturers in the MMTZ countries once recommendations are implemented;
- More competitive regional supply chains, thus increasing trade.

Annex 1- Key Partners and Stakeholders

Strategic Partners

These organisations have agreed to work as strategic partners with the Hub in carrying out specific sub-tasks of Task 2.2 during FY 2004 and beyond.

1. African Coalition for Trade (ACT)
   Contact Person: Mr. Paul Ryberg, Chairman
   ACT
   1054 31st Street, NW, Suite 300
   Washington, D.C. 20007 USA
   act@his.com
   Phone: 1-202-965-3444
   Fax: 1-202-965-3445

2. The ComMark Trust
   Contact Person: Mr. Andy Salm, Textile Specialist
   PostNet Suite 598 Private Bag X29
   Gallo Manor 2052
   South Africa
   andy@commark.org
   Phone: +27-11-802-0785
   Fax: +27-11-802-0798

3. MPCS
   Contact Person: Mr. Joop deVoest
   53 King Street
   Irene 0062
   South Africa
   mpcs@acenet.co.za
   Phone: +27-12-667-1952
   Fax: +27-12-667-2300

4. RATES
   Contact Person: Mr. Barry Fisher
   bfisher@ratescenter.org
   Kenya
   Phone: +254-20-421-2000

5. USAID Mission Namibia
   Contact: Martin Tjituka, Private Sector Development
   Telephone: 264-61-225-935
   mtjituka@usaid.gov

6. USAID Mission South Africa
   Contact: Gloria Mamba, Office of Economic Growth
   27-12-452-2000

gmamba@usaid.gov

7. USAID Mission Tanzania

8. USAID Mission Mozambique
   Contact Person: Mr. Tim Born

9. USAID Mission Malawi

10. US Embassy Namibia
    Contact Person: David R. McCawley, Economic and Commercial Affairs Officer
    Mccawley@state.gov

11. US Embassy Lesotho
    Contact: Moroesi Akhiobare, Commercial/Economic Assistant
    akhionbare@state.gov

12. US Embassy Swaziland
    Contact: Dorothy Mlambo, Commercial Assistant
    mlambodn@state.gov

Stakeholders

These are organisations, companies and individuals whom the Hub feels will benefit from its programs in the textile, garment and handicraft cluster.

Botswana

1. The SADC Secretariat
2. Caratex Botswana
   Contact Person: Mr. Tally Tsekiso
   tally@botsnet.bw
3. Dinesh Textiles
4. Rising Sun
5. B and M Garments
6. Star Apparel
7. Promotions Microlith
8. Botswana Craft
   Contact: Oliver Groth
9. Tjina Nkando Crafts
   Contact: Chigedze Virginia Chiyepi

Lesotho

1. The Lesotho Textile Exporters Association
   Contact Person: Ms. Jennifer Chen- President
   Telephone: 2232-1823
2. Cee Bee Clothing
   Contact: Katherine Boch, Managing Director
   Telephone: 0027-832283086
3. CGM Textiles

Contact Person: Chris Wynne-Potts, President

4. Leribe Crafts
   Contact Person: M'alisedbo Mojaje
   Telephone: 2240-00323
5. ADONAI
   Contact Person: Thabiso Makhooane
6. Lesotho National Development Corporation (LNDC)
   Contact: Sophia Mohapi
   Telephone: 2231-2012
7. C and Y Garments
   Contact: Mr. Eric Chao, Managing Director
   Telephone: 2231-6621
8. Basotho Enterprises Development Corporation
   Contact: Mr. Lefolisa
   Telephone: 2231-2094

Malawi

1. Garment and Textile Manufacturers Association of Malawi
   Contact: Mr. K.K. Desai, Chairman desco@malawi.net
2. Clark Cotton Malawi Ltd.
   Contact: Frans T Grey, General Manager fgrey@clarkcotton.com
3. HAPS Investment Co.
   Contact: Danny Ko hapsinvestments@malawi.net
4. Ministry of Commerce and Industry
   Contact: Christopher C. Kachiza, Director of Industry
   chriskachiza@yahoo.com
5. David Whitehead (Malawi)
   Contact: Evelyn Mwapasa, Acting MD
6. Cross Bow Garments
   Contact: Mr. Raman, Managing Director
7. Storm River
   Malcolm Steed, President, topshirt@bellsouth.net

Mauritius

1. Ministry of Industry and International Trade
   Contact Person: The Honorable. Jayen Cuttaree, Minister of Industry and International Trade
   Phone 201-1221
2. Sinotex Ltd.
   Contact Person: Mr. Edmund G. Lau, Regional General Manager
   melau@sinotex.intnet.mu
3. Socota Textile Mills Ltd.
   Contact Person: Razia Sayed-Fakim, Attaché Commerciale
   stm@socota.com
4. Shibani Knitting
   Contact Person: Sunil Hassamal, Managing Director
   Shibani@intnet.mu
5. Ciel Textile Group

Contact: Harold Mayer, CEO
Phone: +230-202-2200

6. Mauritius Export Processing Zone Association (MEPZA)
   Contact: Danielle T.Y. Wong, Director
   Danielle@mepza.org
7. Export Processing Zone Development Authority (EPZDA)
   Contact: Alain Chan Sun, Director
   Epzda@intnet.mu
8. Nature Crafts
   Contact: Gyaneswar Moloye

Mozambique

1. Belita
2. Omar Group

Namibia

1. Ramatex
   Contact: Ms. Lim Khay Hiang- Plant Manager, Ramatex
   Victoria@ramatex.com.na
2. Ministry of Trade and Industry, Directorate of International Trade
   Contact: Amunyela Nicofermer
   amunyela@mti.gov.na
3. Namibian Development Corporation
   Contact: Mr. Abdul AbuBakr
4. Mud Hut Trading
   Contact: Karin le Roux
5. Penduka Development Project
   Contact: Jacky McCleod
6. Namibia Chamber of Commerce and Industry
   Contact: Tarah Shannika
   Telephone: 264-61-228-809
   tnshaanika@ncci.org.na

South Africa

1. Textile Export Council
   Contact: Mr. Martin Viljoen
2. Export Council Clothing Industry in South Africa
   Contact: Mr. Jack Kipling
   jack@clothingexports.co.za
3. Seardel
   Contact: Bernard Richards- Co-chairman
4. Texfed
   Contact: Brian Brink
   texfed@jhbmail.co.za
5. DFID
   Contact: Hugh Scott

Swaziland

1. Tex Ray (also Chairman of the Swazi Garment Exporters Assn.)
   Contact: Mr. David Hsia
2. SIPA (Swaziland Investment Promotion Agency)
   Contact: Mr. Bheki Dlamini
3. Ngwenya Glass
   Contact: Mr. Chas Prettejohn, Managing Director
   Telephone: 268-42-4053
   ngwenya@negwenyaglass.co.sz
4. Swazi Candles
   Contact: Mr. Bernard Abramowitz
5. Ministry of Trade, Trade Promotion Unit
   Contact: Mr. Sandilep Pato, SACU-FTA Negotiator
6. Coral Stephens Handweaving
   Contact: Murrae Stephens, MD
   Tel: 268-437-1140
   coralstephens@mweb.co.za
7. Gone Rural
   Contact: Zoe Dean-Smith
8. Rosecraft
   Contact: Julie Nixon

Tanzania

1. NIDA Textile Mills
   Contact: Mr. Owais Pardesi, MD Namera Group of Industries
   Tel: 255-22-294-4402
   namera@intafrica.com; nidatex@cats-net.com also
   Mr. Taher Kureshi, General Manager
   Tel: 255-22-21-26-475
   namera@intaafricanet.net.com
2. Sunflag Industries
   Contact: Mr. A. Binu, MD
   Telephone: 255-1-07-44-818-633
3. National Development Corporation (NDC)
   Contact: Colonel Sambakalia, Director
4. Tanzania-China Friendship Textile Co. Ltd.
   Contact: Ye Gouyan, Manager Production and Testing
   Tel: 255-22-24-43-110
5. Ministry of Industry and Trade
   Contact: A.R. Ngemera, Permanent Secretary
   Tel: 255-22-21-81-397
   Psmit2003@yahoo.com
6. Tanzania Chamber of Commerce
   Contact: Mr. Kulua Simba, Chamber Development Officer
   Tel: 255-22-21-21-421
   simbakalua@hotmail.com, also
   Mr. Joseph Kitakwa, Deputy Executive Director
   kitakwa@tccia.co.tz

7. Tanzania Investment Centre
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   naiko@tic.co.tz
8. Kipepeo Arts and Crafts
   Contact: Edith Mushi
9. Footloose
   Contact: Joyce Mbwette
10. ADAT
    Contact: Sophia Maryogo

Zambia

1. Swarp Knitting
   Contact: Chris Matonga, Administration Manager- Chris@ssm.co.zm
2. Ministry of Industry and Trade
   Contact: Mr. Moses Banda
3. Kafue Textiles Ltd.
   Contact: Ms. Chisala Kateke, Interim Manager, and
   Mrs. Florence Mumba, Zambia Privatisation Agency
   Telephone: 260-1-229725
   zpa@zap.org.zm
4. Export Board of Zambia
   Contact: Mr. Lackson Kanyemba, Manager of Product and Market Development
   Telephone: 260 1 228106
   ebzint@zamnet.zm
5. ZAMTIE
   Contact: Ron Black, Chief of Party
   Tel: 260-1-25-1127
   ronblack@zamtie.org
6. Beatmas Supplies
   Contact: Tamara Nyathando

USA

In addition to the manufacturers and organisations in Africa we have a growing list of potential buyers and contacts whom the Hub should consider to be stakeholders as well:

1. ABC Home – Ambika Jain
2. Bamboula Ltd. – Jasperdean Kobes
3. Continuum Home – Patti Carpenter
4. Eco-Brazil – Elizabeth Howitt
5. Eziba – Amber Chand
6. George Little Management – Carol Ross
7. Of African Descent – Alma Lorraine Constable
8. Sferra Brothers – Paul Hooker
9. Smithsonian Business Ventures – Lisa Mazzio
10. Swahili Imports – Leslie Mittelberg
11. TJ Maxx – Peter Wilson

12. Paul Hooker- Sferra Brothers

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